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23 July 1969

MEMORANDUM FOR THE RECORD

Morning Meeting of 23 July 1969

DD/I recalled that on 11 July they received a requirement from the President via Dr. Kissinger to prepare a memorandum on "Security in Vietnam." He added that the resulting memorandum went to Dr. Kissinger yesterday and provided the Director with a copy. Carver

[redacted]

Godfrey reported that there appears to be a growing awareness in Latin America that Nicaragua is assisting Honduras and that Salvador is receiving commercially provided military hardware.

D/ONE reported that no Estimates are scheduled for USIB consideration this week. In response to the Director's question EA/DCI observed that the [redacted] is still pending. The Director asked the Executive Director to determine when [redacted] will return before deciding whether [redacted] should prepare himself on this matter.

Carver flagged for the Director's attention the item in today's CIB reporting on a possible increased enemy capability in the Delta provinces of South Vietnam.

Maury reported that yesterday's briefing of Senator Cooper went well.

In response to the Director's questions Maury briefed on the provisions of the Daniels bill.

Maury noted that Congressman Lipscomb is in the hospital. The Director asked Maury to draft an appropriate note.

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Bross reported receipt of a telephone call from a colonel in Deputy Secretary Packard's office relating that ISA will be the coordinating point in effecting the 10 percent personnel reduction. Bross added that he called Robert Froehlke to clarify this matter and received the impression that matters pertaining to the reduction will be handled in his office.

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Executive Director called attention to press coverage of the President's intention to reduce the FY 70 budget.

DDCI briefed on his attendance at yesterday's NSC meeting on the verification problem. DD/S&T added that he and the DD/I are coordinating the resulting work that must be completed by 28 July.

The Director asked whether he is scheduled to appear before the House Armed Services Committee, whether the text of the briefing has been prepared, and what topics are to be covered. Maury replied that the date has not yet been set but that he will attempt to determine this today. The DD/I noted that he will check to see whether [redacted] 25X1
has prepared the briefing material but will await information from Maury on what coverage is desired by Chairman Rivers.

The Director related that the Williams interns will be here this weekend, and Godfrey and Carver indicated their availability to meet with them. In the event that Carver is not free, [redacted] will 25X1
participate.

The Director asked D/ONE for a status report on the Sino/Soviet Estimate. He replied that they met on the second draft yesterday, and the DD/P remarked that they are putting out a one-hundred-page document pertaining to Sino/Soviet relations, which was the back-up paper to the recent Soviet guidance to all embassies on China policy.

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[redacted]

L. K. White

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PRESIDENT ORDERS $3.5-BILLION CUTS AS OUTLAYS GROW

Acts to 'Hold Line' on Rises, Some Laid to Congress— Defense Trims Foreseen

By EDWIN L. DALE Jr.
Special to The New York Times

WASHINGTON, July 22 — President Nixon ordered expenditure reductions of $3.5-billion today to offset increases of that amount now expected as a result of several factors, including actions and inactions by Congress.

Mr. Nixon disclosed that seven "uncontrollable" items in the budget, such as interest on the national debt and veterans' benefits, were now expected to show outlays $2.5-billion higher than in his April budget review.

In addition, he said Congressional actions and inactions —chief among them the failure so far to approve a postal rate increase—threatened to add "at least another billion dollars."

Although none of the Congressional decisions is yet final, some of the anticipated postal revenue is already lost because the proposed effective date of July 1 has not been met.

Defense Cuts Planned

Budget Director Robert P. Mayo said there would be "very substantial" cuts in defense spending.

"I assume it [defense] would be more than half" of the $3.5-billion reduction, he said.

Meanwhile, the House Ways and Means Committee, which is working on a tax reform measure, tentatively agreed on three more changes that would increase the taxes paid by certain businesses, and the Administration stepped up its pressure on the Senate to approve a continuation of the income surcharge without taking time to work out a companion tax reform bill.

Mr. Nixon said in a statement he was determined to "hold the line" on the proposed April spending figure of $192.9-billion "a figure I still believe reflects a responsible fiscal pol-

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THE NEW YORK TIMES, WEDNESDAY, JULY 23, 1969

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President Orders $3.5-Billion Cuts to 'Hold Line' on Spending

Continued From Page 1, Col. 4

environment."

"If we hold the line on that spending figure, as I intend to," the President said, "and if the revenues are provided, this fiscal year will produce the kind of budget surplus needed to cool off an economy that was dangerously overheated before we assumed office."

The surplus is now estimated at about $6-billion.

Money Bill Signed

The statement was issued in connection with the President's signing of a catch-all supplemental appropriations bill, technically applying to the fiscal year 1969. The bill contained a new version of a Congressionally imposed spending ceiling, which Mr. Nixon accepted.

The new ceiling is $191.9-billion, or $1-billion below the President's figure, but it automatically rises and falls with actions and inactions by Congress. It can rise by up to $2-billion if several specified "uncontrollables" exceed the original estimates, as they clearly will.

Mr. Nixon gently chided the Democratic Congress for its performance so far.

"The new ceiling will be of little help in keeping Federal spending under control if the Congress that imposed it does not cooperate fully with the Administration in meeting it," he said, adding that the "general expression of support for fiscal restraint must now be matched by specific acts of the Congress."

Moves by Congress

Apart from the delay on postal rates, Congress is moving toward these other steps that will increase the budget:

¶Refusing to abolish the agricultural conservation program, in which farmers are subsidized for such activities as putting lime on their land. Money for this program is included in the agricultural appropriations bills in both the House and the Senate.

¶Requiring the President to spend more than he wants on "impacted area" school aid, which goes to districts with large numbers of military or other Federal personnel.

¶Refusing to terminate the school milk program. Again, funds are included in both versions of the agriculture appropriations bill.

Of the $2.5-billion rise in uncontrollables, the biggest single item was a $500-million increase in estimated interest payments on the debt. Today the Treasury paid its highest rate ever, 7.459 per cent on a six-month bill.

The next biggest item was $400-million for medicare, the costs of which continue to rise faster than estimated. Receipts from offshore oil leases, which count as an offset against the Interior department's expenditures, will be $300-million less than expected.

There will be smaller increases in Social Security, retirement benefits of Government workers, public assistance grants to the states, veteran's benefits and several other programs.

Mr. Mayo said he hoped to have the distribution of the $3.5-billion of reductions among the various Government agencies worked out by early August. He said some "high priority" programs might not be cut at all.

Waiting until after Congress had gone home would make the job of cutting much more difficult, he said, because the fiscal year would then be nearly half finished.